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Before the
**Federal Communications Commission**
Washington, D.C. 20554

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| In the Matter of | ) | |
| | ) | |
| Low-Volume Long Distance Users | ) | CC Docket No. 99-249 |
| | ) | |

**COMMENTS OF THE MICHIGAN PUBLIC SERVICE COMMISSION (MPSC)**

## I. Introduction

On July 8, 1999, the Federal Communications Commission issued a notice of inquiry in docket 99-249. This inquiry is to examine the effect of certain flat charges on consumers who make few, or no, interstate long-distance calls. The inquiry addresses a variety of flat-rated charges that appear on consumers' bills, such as charges to recover the presubscribed interexchange carrier charges (PICCs) that the long-distance carriers pay some local phone companies, long distance carriers monthly minimum-usage charges, and charges to recover Universal Service Fund (USF) contributions.

The presumption in this inquiry is that there may be an unfair or uneconomic burden on low volume long distance consumers caused by either market distortions or regulatory requirements (i.e. universal service charges).

Michigan has not yet reached any conclusion that the impact of competition in long distance has adversely affected either low income or low volume consumers. We agree with Commissioner Powell's statement regarding low volume customers – that there is no evidence to warrant treatment as a protected class at this time. Is low volume a lack of need or the result of economic constraints? If the latter, have education programs regarding the market options such as dial-around, Internet and Lifeline been successful. We caution the FCC to be very careful about imposing new regulatory constraints on the marketplace without a persuasive finding of significant hardship which cannot be remedied by the market and by consumer education.

We hope that this inquiry will carefully and completely examine the need to address low volume customer issues before jumping to remedies and that precipitous action not be taken. Regulatory intervention shall be a last resort.

In response to the specific questions raised in the Notice of Inquiry, CC Docket, No. 99-249, the Michigan PSC offers the following:

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Question # 1

- Whether such charges have resulted from a competitive market dynamic;

A. Yes, the fact is that some IXCs have imposed minimum bills and passed on to customers specific end-user charges, others have not. We believe it is based on marketing decisions, including possibly that some providers may not want to serve all customers, particularly low volume customers. This should not be surprising nor is it necessarily wrong as long as adequate service options are available.

Question #2

- Whether the Commission should rely on competition, such as the availability of dial-around services or the entry of Bell Operating Companies (BOCs) into long-distance service, to address the needs of low-volume customers;

A. Yes, the FCC should rely on competition until there is a definite showing that the market won't serve low volume customers. Then, the FCC should look at whether there is a valid public policy goal (are low volume customers a protected class or not) and use explicit means to address the issue - i.e. lifeline or universal service means.

Question #3

- Whether the Commission, states, and consumer groups should educate consumers regarding choices they can exercise in the marketplace, and whether such education might reduce the need for regulation;

A. Yes - A competitive marketplace works best when consumers have access to very good information about their choices;

Question #4

- Whether the impact of these flat charges warrants regulatory action, and the scope, method, and jurisdiction for such action, if it proves necessary;

A. At this time, – No. Michigan has no jurisdiction over toll rates and the FCC should be very cautious about asserting itself in what is clearly a competitive market.

Question #5

- Whether the Commission can take steps that do not require direct regulation of long-distance companies, but that would give the Commission greater control over the way long-distance companies pass access charges and universal service assessments on to consumers;

A. Not recommended. Michigan believes consumers should have clear information about universal service charges and any other fees mandated by government action. There is no reason to force providers to disguise such items.

Question #6

- Whether the Commission should require local telephone companies to recover their universal service contributions from their own end users, at the same percentage rate at which they pay the contribution;

A. Yes, this seems reasonable and preferable to a flat charge. However, this should be capped at some reasonable amount.

Question #7

- Whether a correlation exists between income and long-distance telephone usage, and whether the concept of universal service should include some amount of affordable interstate interexchange service for low-volume users, or whether other policies, such as rate integration, adequately address the affordability of long-distance service;

A. We are not aware of any study establishing such a correlation. Michigan prefers to address the needs of the low income users (lifeline) rather than subsidizing the provider (universal service). If there is to be recognition of a long distance component for low income – lifeline should be the preferred mechanism to address it. Clearly the emphasis should be on low income, not low volume.

Question #8

- Whether the Commission should require long-distance carriers:
  1. To maintain rate plans that do not include a minimum monthly charge;
  2. To pass through a specific portion of interstate, switched access charge reductions to a basic rate plan;
  3. To pass through a PICC calculated as a percentage of the bill, capped at a certain dollar level;

A. No - to all three proposals. In a competitive environment, pricing decisions should be left to the providers, not government mandate.

Question #9

- Whether the Commission's Lifeline program is not reaching certain groups of consumers, and whether the Commission should create a similar program for low-volume residential consumers;

A. We have no evidence that the current Lifeline program is not working. At this time there is no justification for treating low volume as a protected class.

Question #10

- Whether the Commission should consider the impact of end user charges resulting from other reforms, such as number portability; and

A. The cost versus the benefit should have been considered, but if public policy is that number portability is desirable then it's a legitimate cost to providers and it is a legitimate

price item for consumers.

Question #11

- Whether the Commission should require carriers to combine charges associated with all pro-competitive reforms into a single item or allow carriers to identify these charges in some other way.

A. No, leave the decision to providers, see response to #8.

Dated: September 17, 1999

Respectfully submitted,

John G. Strand, Chairman

David A. Svanda, Commissioner

Robert B. Nelson, Commissioner

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